

MARSHALL COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

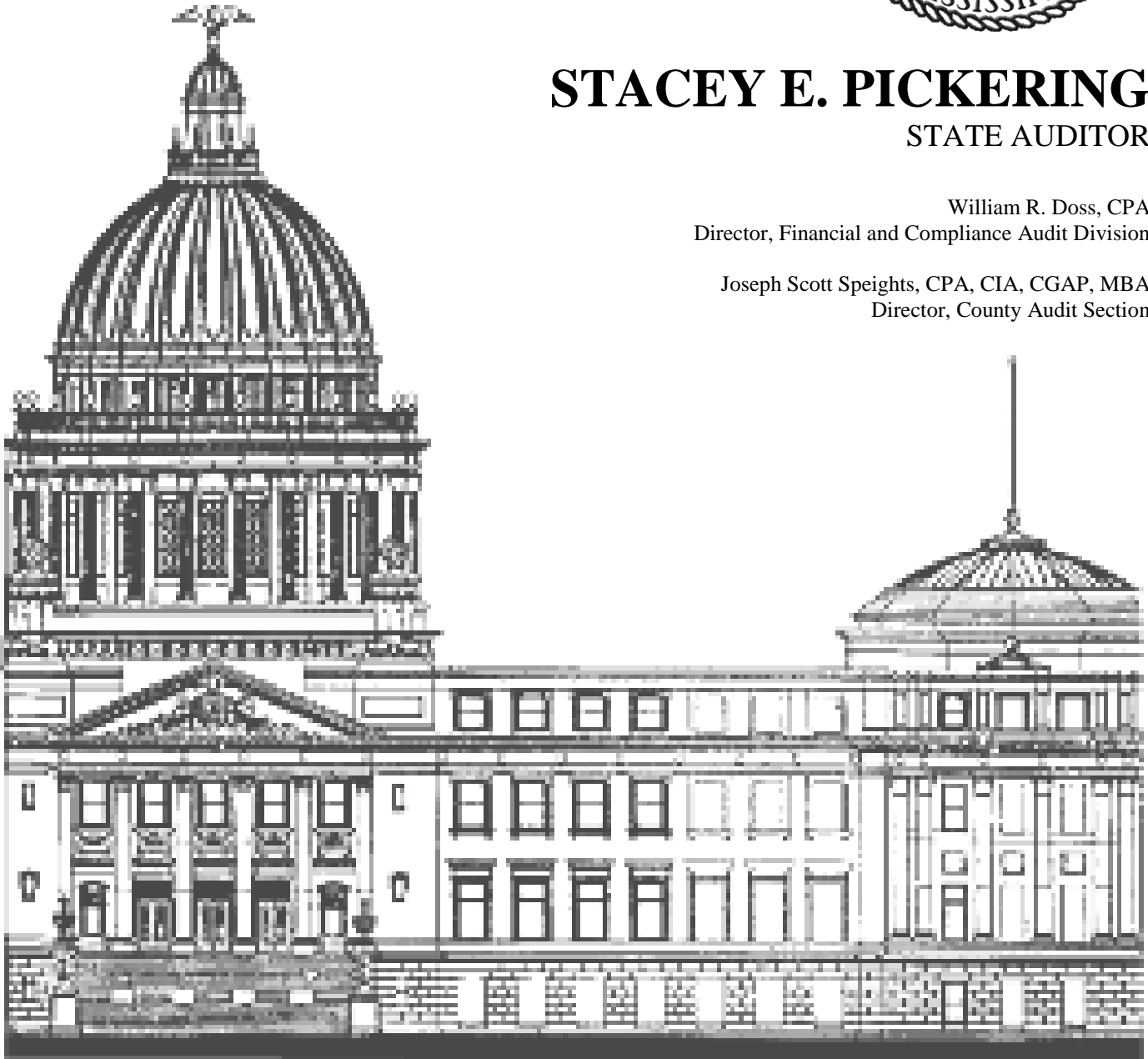


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 25, 2014

Members of the Board of Supervisors
Marshall County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Marshall County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Marshall County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Marshall County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering
State Auditor

MARSHALL COUNTY

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MARSHALL COUNTY

FINANCIAL SECTION

MARSHALL COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Marshall County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Marshall County, Mississippi, as of September 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of Marshall County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marshall County, Mississippi, has omitted the Management's Discussion and Analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshall County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 25, 2014

MARSHALL COUNTY

FINANCIAL STATEMENTS

MARSHALL COUNTY

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MARSHALL COUNTY
Statement of Net Assets
September 30, 2012

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 3,920,583
Property tax receivable	8,795,486
Accounts receivable (net of allowance for uncollectibles of \$582,595)	91,830
Fines receivable (net of allowance for uncollectibles of \$1,914,095)	453,305
Intergovernmental receivables	382,652
Other receivables	181,781
Capital assets held for resale	253,044
Capital assets:	
Land and construction in progress	4,296,998
Other capital assets, net	<u>59,079,579</u>
Total Assets	<u>77,455,258</u>
LIABILITIES	
Claims payable	346,746
Intergovernmental payables	236,962
Accrued interest payable	11,643
Deferred revenue	8,795,485
Amounts held in custody for others	241,395
Long-term liabilities	
Due within one year:	
Capital debt	544,369
Non-capital debt	61,241
Due in more than one year:	
Capital debt	2,360,483
Non-capital debt	<u>930,692</u>
Total Liabilities	<u>13,529,016</u>
NET ASSETS	
Invested in capital assets, net of related debt	60,471,725
Restricted:	
Expendable:	
General government	465
Public safety	225,623
Public works	1,366,597
Culture and recreation	1,540
Economic development and assistance	51,585
Debt service	789,247
Nonexpendable	368,621
Unrestricted	<u>650,839</u>
Total Net Assets	<u>\$ 63,926,242</u>

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY
Statement of Activities
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,493,538	1,176,179			(4,317,359)
Public safety	5,371,891	521,363	302,918		(4,547,610)
Public works	8,135,453	123,009	935,997	5,090,911	(1,985,536)
Health and welfare	834,543		146,510		(688,033)
Culture and recreation	295,450				(295,450)
Education	158,637				(158,637)
Conservation of natural resources	81,757				(81,757)
Economic development and assistance	272,087				(272,087)
Interest on long-term debt	116,005				(116,005)
Total Governmental Activities	<u>20,759,361</u>	<u>1,820,551</u>	<u>1,385,425</u>	<u>5,090,911</u>	<u>(12,462,474)</u>
General revenues:					
Property taxes				\$	12,628,612
Road & bridge privilege taxes					499,875
Grants and contributions not restricted to specific programs					492,971
Unrestricted interest income					82,253
Miscellaneous					252,345
Total General Revenues					<u>13,956,056</u>
Changes in Net Assets					<u>1,493,582</u>
Net Assets - Beginning of year					<u>62,432,660</u>
Net Assets - End of year				\$	<u><u>63,926,242</u></u>

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY
Balance Sheet - Governmental Funds
September 30, 2012

Exhibit 3

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>Road Maintenance Fund</u>	<u>Marshall County Engineering Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 1,468,764	1,376,997		1,074,822	3,920,583
Property tax receivable	5,330,640	2,913,167		551,679	8,795,486
Accounts receivable (net of allowance for uncollectibles of \$582,595)	91,830				91,830
Fines receivable (net of allowance for uncollectibles of \$1,914,095)	453,305				453,305
Intergovernmental receivables	327,735	53,056		1,861	382,652
Other receivables	58,156	89,587		28,500	176,243
Due from other funds	2,735	84,723		6,402	93,860
Advances to other funds	115,577				115,577
Capital assets held for resale				253,044	253,044
Total Assets	<u>\$ 7,848,742</u>	<u>4,517,530</u>	<u>0</u>	<u>1,916,308</u>	<u>14,282,580</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 103,873	237,767		5,106	346,746
Intergovernmental payables	236,962				236,962
Due to other funds	91,125			1,970	93,095
Advances from other funds				110,804	110,804
Deferred revenue	5,875,775	2,967,753		551,679	9,395,207
Amounts held in custody for others	241,395				241,395
Total Liabilities	<u>6,549,130</u>	<u>3,205,520</u>	<u>0</u>	<u>669,559</u>	<u>10,424,209</u>
Fund balances:					
Nonspendable:					
Advances	115,577				115,577
Property held for resale				253,044	253,044
Restricted for:					
General government				465	465
Public safety				225,623	225,623
Public works		1,312,010			1,312,010
Culture and recreation				1,540	1,540
Economic development and assistance				51,585	51,585
Debt service				800,890	800,890
Unassigned	1,184,035			(86,398)	1,097,637
Total Fund Balances	<u>1,299,612</u>	<u>1,312,010</u>	<u>0</u>	<u>1,246,749</u>	<u>3,858,371</u>
Total Liabilities and Fund Balances	<u>\$ 7,848,742</u>	<u>4,517,530</u>	<u>0</u>	<u>1,916,308</u>	<u>14,282,580</u>

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,858,371
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$76,867,710.	63,376,577
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	545,135
Other receivables that are not available to pay for current period expenditures and, therefore, are deferred in the funds.	54,587
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,896,785)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(11,643)</u>
Total Net Assets - Governmental Activities	\$ <u><u>63,926,242</u></u>

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2012

	Major Funds			Other	Total
	General	Road	Marshall County	Governmental	Governmental
	Fund	Maintenance	Engineering	Funds	Funds
	Fund	Fund	Fund		
REVENUES					
Property taxes	\$ 8,009,010	4,026,695		592,907	12,628,612
Road and bridge privilege taxes		499,875			499,875
Licenses, commissions and other revenue	646,841	20,749		8,375	675,965
Fines and forfeitures	238,880			71,975	310,855
Intergovernmental revenues	1,088,308	1,088,158	4,519,636	273,205	6,969,307
Charges for services	369,047			338,852	707,899
Interest income	68,564	7,169		6,520	82,253
Miscellaneous revenues	126,084	94,454		3,263	223,801
Total Revenues	10,546,734	5,737,100	4,519,636	1,295,097	22,098,567
EXPENDITURES					
Current:					
General government	5,494,947			14,750	5,509,697
Public safety	3,824,066			1,120,851	4,944,917
Public works	168,484	5,144,079	4,519,636	47,157	9,879,356
Health and welfare	832,224				832,224
Culture and recreation	156,221			139,229	295,450
Education	111,221	47,416			158,637
Conservation of natural resources	81,757				81,757
Economic development and assistance	258,616			9,600	268,216
Debt service:					
Principal	113,478	354,180		270,000	737,658
Interest	36,997	12,657		71,164	120,818
Total Expenditures	11,078,011	5,558,332	4,519,636	1,672,751	22,828,730
Excess of Revenues over (under) Expenditures	(531,277)	178,768	0	(377,654)	(730,163)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	465,993	395,169			861,162
Compensation for loss of capital assets	24,661				24,661
Transfers in	65,000			406,572	471,572
Transfers out	(406,572)			(65,000)	(471,572)
Total Other Financing Sources and Uses	149,082	395,169	0	341,572	885,823
Net Changes in Fund Balances	(382,195)	573,937	0	(36,082)	155,660
Fund Balances - Beginning of year	1,681,807	738,073		1,282,831	3,702,711
Fund Balances - End of year	\$ 1,299,612	1,312,010	0	1,246,749	3,858,371

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 155,660
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$3,566,562 exceeded depreciation of \$1,810,461 in the current period.	1,756,101
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$22,395 and the compensation for loss of capital assets of \$24,661 in the current period, and the deferred revenue for compensation for loss of capital assets of \$54,587 that was not available to pay for current period expenditures.	56,853
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	186,947
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(63,328)
Compensation for the loss of capital assets that was deferred in the fund financial statements because it was not available to pay for current period expenditures.	54,587
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$861,162 exceeded debt repayments of \$737,658.	(123,504)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences	(420,841)
The amount of decrease in accrued interest payable	4,813
Change in Net Assets of Governmental Activities	\$ <u>1,493,582</u>

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2012

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 32,014
Other receivables	6,000
Total Assets	\$ <u>38,014</u>
LIABILITIES	
Due to other funds	\$ 765
Due to other governments	6,000
Advances from other funds	4,773
Refunds payable	26,476
Total Liabilities	\$ <u>38,014</u>

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY

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MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Marshall County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Marshall County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Marshall County Industrial Development Authority
- Marshall County Library
- Marshall County Museum

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues

The Statement of Net Assets presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Marshall County Engineering Fund - This fund is used to account for monies from specific revenue that are restricted for road construction and improvement.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs, other than infrastructure, have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

M. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$3,952,597, and the bank balance was \$4,960,716. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Road Maintenance	General	\$ 84,723
Other Governmental Funds	General	6,402
General	Other Governmental Funds	1,970
General	Agency Funds	765
Total		\$ 93,860

The amounts payable to the Road Maintenance Fund and Other Governmental Funds represent tax revenue and justice court revenue collected in September 2012, but not settled, until October 2012. Amounts payable to the General Fund represent grant and interest income revenue that has not been reimbursed. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 110,804
General	Agency Funds	4,773
Total		\$ 115,577

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The advances to Other Governmental Funds represent loans to cover cash deficits that will be reimbursed by grants. The advances to Agency Funds represent interest income that should be repaid to the General Fund.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 65,000
Other Governmental Funds	General Fund	406,572
Total		\$ 471,572

The purposes of interfund transfers were to cover operating expenses, cover grant matching requirements, and to transfer one mill tax levy. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 118,391
TVA in-lieu tax	149,816
Motor vehicle tax and licenses	45,605
Food stamp reimbursement	14,067
MEMA reimbursement	28,198
Reimbursement for housing prisoners	7,752
Land redemption	7,429
Harvest permits	6,676
24/7 Project Safe Neighborhood grant	1,531
Other	2,363
MS Supreme Court grant	824
Total Governmental Activities	\$ 382,652

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 681,339				681,339
Construction in progress	1,375,675	2,239,984			3,615,659
Total non-depreciable capital assets	2,057,014	2,239,984	0	0	4,296,998
<u>Depreciable capital assets:</u>					
Infrastructure	116,465,378	560,817			117,026,195
Buildings	8,604,242			190,000	8,794,242
Mobile equipment	6,366,520	61,777	193,127	1,235,400	7,470,570
Furniture and equipment	851,755	56,523	20,000		888,278

MARSHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
Leased property under capital leases	2,571,484	647,461	25,541	(1,425,400)	1,768,004
Total depreciable capital assets	134,859,379	1,326,578	238,668	0	135,947,289
<u>Less accumulated depreciation for:</u>					
Infrastructure	65,301,366	1,154,905			66,456,271
Buildings	3,233,716	147,748		53,200	3,434,664
Mobile equipment	4,863,061	305,443	148,305	939,452	5,959,651
Furniture and equipment	619,509	72,318	19,800		672,027
Leased property under capital leases	1,221,412	130,047	13,710	(992,652)	345,097
Total accumulated depreciation	75,239,064	1,810,461	181,815	0	76,867,710
Total depreciable capital assets, net	59,620,315	(483,883)	56,853	0	59,079,579
Governmental activities capital assets, net	\$ 61,677,329	1,756,101	56,853	0	63,376,577

* The adjustments were to move capital leases that have been paid off to mobile equipment and furniture and equipment.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 213,516
Public safety	163,533
Public works	1,431,758
Health and welfare	1,654
Total governmental activities depreciation expense	\$ 1,810,461

Commitments with respect to unfinished capital projects at September 30, 2012, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
BR-0047(38)BO	\$ 161,352	June 2013
APL-0047(32)B	104,709	July 2013
LSBP-47(12)	52,344	October 2012

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(6) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

Classes of Property	Governmental Activities	
Building	\$	780,000
Mobile equipment		988,004
Total		1,768,004
Less: Accumulated depreciation		(345,097)
Leased Property Under Capital Leases	\$	1,422,907

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2013	\$ 259,369	42,603
2014	199,589	36,094
2015	177,671	30,698
2016	129,949	26,305
2017	69,651	22,800
2018 – 2022	376,094	66,441
2023 – 2027	157,529	10,321
Total	\$ 1,369,852	235,262

MARSHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(8) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Justice Complex, Series 2006	\$ 1,535,000	3.85/4.05%	09/2017
B. Capital Leases:			
2007 Caterpillar 924 wheel loader	\$ 6,231	3.15%	01/2013
2 Caterpillar motor graders	45,592	3.28%	03/2013
2010 Ford Crown Victoria	10,157	3.15%	10/2013
2011 Chevy Tahoe	14,709	3.08%	02/2014
2011 Ford Crown Victoria	16,575	3.02%	09/2014
2011 Ford Crown Victoria	14,178	2.99%	02/2015
Ford Van	23,501	2.04%	07/2015
5 Ford F-350s	128,183	2.04%	07/2015
4 Bush hog rotary cutters	52,472	1.87%	06/2016
4 New Holland tractors	203,833	1.87%	09/2016
Miller building	249,752	5.25%	03/2022
Buford building	258,996	3.94%	01/2024
County office complex building	345,673	3.25%	12/2026
Total Capital Leases	\$ 1,369,852		
C. Other Loans:			
Sheriff computer software loan	\$ 53,842	4.63%	01/2016
MS Development Authority – CAP loan	250,138	3.00%	12/2017
Total Other Loans	\$ 303,980		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2013	\$ 285,000	60,769
2014	290,000	49,725
2015	305,000	38,415
2016	320,000	26,367
2017	335,000	13,567
Total	\$ 1,535,000	188,843

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Year Ending September 30	Other Loans	
	Principal	Interest
2013	\$ 61,241	8,865
2014	63,360	6,746
2015	65,558	4,548
2016	55,950	2,500
2017	51,777	845
2018 – 2022	6,094	401
Total	\$ 303,980	23,905

Legal Debt Margin - The amount of debt, excluding specific exempted debt, which can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2012, the amount of outstanding debt was equal to .69% of the latest property assessments.

Commitments

On October 6, 2008, the Marshall County Board of Supervisors entered into an agreement with the City of Holly Springs relating to the financing for the construction of infrastructure for The Holly Springs Commons. The county's share is limited to 50% of the revenues of the tax increment financing or 50% of the bond payment, whichever is less. The principal balance remaining on these bonds is \$169,000 at September 30, 2012. Amounts due in the next fiscal year for principal and interest are \$21,000 and \$7,370, respectively.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 267,112	420,841			687,953	
General obligation bonds	1,805,000		270,000		1,535,000	285,000
Capital leases	1,030,190	797,460	457,798		1,369,852	259,369
Other loans	250,138	63,702	9,860		303,980	61,241
Total	\$ 3,352,440	1,282,003	737,658	0	3,896,785	605,610

Compensated absences will be paid from the funds from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Special Levy Reappraisal Fund, Domestic Violence Grant Fund, Marshall County Drug Control Fund, Emergency 911 Fund, Solid Waste Authority Fund, Volunteer Fire Department Fund, and COPS Grant Fund.

(9) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2012:

Fund	Deficit Amount
24/7 Project Safe Neighborhood Fund	\$ 439
Communications Grant Fund	24,405
Community Heritage Preservation Grant Fund	86,398

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(10) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(11) Joint Venture.

The County participates in the following joint venture:

Marshall County is a participant with the city of Holly Springs in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Marshall County-Holly Springs Airport Authority. The joint venture was created to provide a governing authority for the airport facilities in Marshall County and is governed by a five-member board of commissioners. The board of commissioners is appointed as follows: Marshall County, two; City of Holly Springs, two; joint, one. The county appropriated \$10,000 for the joint venture in fiscal year 2012.

(12) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Communicare operates in a district composed of the Counties of Calhoun, Lafayette, Marshall, Panola, Tate and Yalobusha. The Marshall County Board of Supervisors appoints one of the six members of the board of commissioners. The county appropriated \$46,819 for Communicare in fiscal year 2012.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Marshall County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$576,500 for maintenance and support of the college in fiscal year 2012.

Northeast Mississippi Planning and Development District is composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Marshall County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$21,552 for support of the district in fiscal year 2012.

(13) Defined Benefit Pension Plan.

Plan Description. Marshall County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$826,685, \$787,573 and \$765,369, respectively, equal to the required contributions for each year.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(14) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Marshall County evaluated the activity of the County through March 25, 2014, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2012, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/1/2012	3.00%	\$	4,525,000	Other loans	Payments in lieu of taxes
10/8/2012	1.68%	\$	25,900	Capital lease	Ad valorem tax
12/01/2012	1.87%	\$	206,847	Capital lease	Ad valorem tax
12/17/2012	1.64%	\$	43,590	Capital lease	Ad valorem tax
02/03/2014	1.91%	\$	138,989	Capital lease	Ad valorem tax

MARSHALL COUNTY

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MARSHALL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL COUNTY

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MARSHALL COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 7,522,742	8,043,348	8,043,348	
Licenses, commissions and other revenue	524,022	654,001	654,001	
Fines and forfeitures	235,000	236,378	236,378	
Intergovernmental revenues	897,000	1,300,528	1,300,528	
Charges for services	265,000	272,918	272,918	
Interest income	60,450	67,628	67,628	
Miscellaneous revenues	108,491	162,321	162,321	
Total Revenues	<u>9,612,705</u>	<u>10,737,122</u>	<u>10,737,122</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	5,383,427	5,177,188	5,181,903	(4,715)
Public safety	3,651,945	3,768,446	3,768,446	
Public works	97,886	171,594	171,594	
Health and welfare	943,828	830,298	830,298	
Culture and recreation	161,084	155,449	155,449	
Education	46,851	416,273	416,273	
Conservation of natural resources	92,598	82,172	82,172	
Economic development and assistance	234,061	258,393	258,393	
Debt Service	155,073	150,475	150,475	
Total Expenditures	<u>10,766,753</u>	<u>11,010,288</u>	<u>11,015,003</u>	<u>(4,715)</u>
Excess of Revenues over (under) Expenditures	<u>(1,154,048)</u>	<u>(273,166)</u>	<u>(277,881)</u>	<u>(4,715)</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		17,792	17,792	
Transfers in	214,415	194,000	194,000	
Transfers out	(546,051)	(385,572)	(385,572)	
Total Other Financing Sources and Uses	<u>(331,636)</u>	<u>(173,780)</u>	<u>(173,780)</u>	<u>0</u>
Net Change in Fund Balance	(1,485,684)	(446,946)	(451,661)	(4,715)
Fund Balances - Beginning	<u>2,928,189</u>	<u>(684,619)</u>	<u>1,236,888</u>	<u>1,921,507</u>
Fund Balances - Ending	<u>\$ 1,442,505</u>	<u>(1,131,565)</u>	<u>785,227</u>	<u>1,916,792</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MARSHALL COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Road Maintenance Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,864,586	4,040,324	4,040,324	
Road and bridge privilege taxes	425,000	505,676	505,676	
Licenses, commissions and other revenue	15,000	20,091	20,091	
Intergovernmental revenues	1,188,970	1,196,788	1,196,788	
Interest income	2,500	7,170	7,170	
Miscellaneous revenues	46,000	59,453	59,453	
Total Revenues	<u>5,542,056</u>	<u>5,829,502</u>	<u>5,829,502</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	5,277,211	4,570,324	4,570,324	
Education		132,277	132,277	
Debt Service	450,000	366,837	366,837	
Total Expenditures	<u>5,727,211</u>	<u>5,069,438</u>	<u>5,069,438</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(185,155)</u>	<u>760,064</u>	<u>760,064</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				0
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(185,155)	760,064	760,064	0
Fund Balances - Beginning	<u>(1,926,633)</u>	<u>(215,296)</u>	<u>178,627</u>	<u>393,923</u>
Fund Balances - Ending	<u>\$ (2,111,788)</u>	<u>544,768</u>	<u>938,691</u>	<u>393,923</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

Marshall County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Marshall County Engineering Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 250,000	422,710	422,710	
Total Revenues	<u>250,000</u>	<u>422,710</u>	<u>422,710</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	250,000	422,710	422,710	
Total Expenditures	<u>250,000</u>	<u>422,710</u>	<u>422,710</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance-Beginning	<u>200,000</u>			
Fund Balance-Ending	<u>200,000</u>	<u>0</u>	<u>0</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MARSHALL COUNTY

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MARSHALL COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2012 UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff, the Tax Assessor and the Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

MARSHALL COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2012 UNAUDITED

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types		
	General Fund	Road Maintenance Fund	Marshall County Engineering Fund
Budget (Cash Basis)	\$ (451,661)	760,064	0
Increase (Decrease)			
Net adjustments for revenue accruals	282,473	302,768	
Net adjustments for expenditure	(213,007)	(488,895)	
GAAP Basis	\$ <u>(382,195)</u>	<u>573,937</u>	<u>0</u>

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following fund had an excess of actual expenditures over budget for the year ended September 30, 2012:

Fund	Excess
General Fund	\$ 4,715

The General Fund is in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the County has no liability associated with this violation.

MARSHALL COUNTY

OTHER INFORMATION

MARSHALL COUNTY

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MARSHALL COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Charles Terry	Supervisor District 1	Travelers Casualty & Surety Company	\$100,000
Eddie Dixon	Supervisor District 2	Travelers Casualty & Surety Company	\$100,000
Keith Taylor	Supervisor District 3	Travelers Casualty & Surety Company	\$100,000
George Zinn III	Supervisor District 4	Travelers Casualty & Surety Company	\$100,000
Ronnie Joe Bennett	Supervisor District 5	Travelers Casualty & Surety Company	\$100,000
Larry Hall	County Administrator	Travelers Casualty & Surety Company	\$100,000
C.W. Chuck Thomas	Chancery Clerk	Travelers Casualty & Surety Company	\$100,000
Donna Cothorn	Purchase Clerk	Travelers Casualty & Surety Company	\$75,000
Kay Brownlee	Assistant Purchase Clerk	Travelers Casualty & Surety Company	\$50,000
Susie Hill	Comptroller	Greer and White Insurance	\$100,000
Renee Childress	Receiving Clerk	Travelers Casualty & Surety Company	\$75,000
Randy Edwards	Assistant Receiving Clerk	Travelers Casualty & Surety Company	\$50,000
Kenny Dickerson	Assistant Receiving Clerk	Travelers Casualty & Surety Company	\$50,000
James Gullett	Assistant Receiving Clerk	Travelers Casualty & Surety Company	\$50,000
Kay Brownlee	Inventory Control Clerk	Travelers Casualty & Surety Company	\$75,000
James Gullett	Assistant Inventory Control Clerk	Travelers Casualty & Surety Company	\$50,000
Larry Hall	Road Manager	Travelers Casualty & Surety Company	\$50,000
Antjuan Lester	Constable	Travelers Casualty & Surety Company	\$50,000
Johnny Fitch	Constable	Travelers Casualty & Surety Company	\$50,000
Lucy Carpenter	Circuit Clerk	Travelers Casualty & Surety Company	\$100,000
Kenny Dickerson	Sheriff	Travelers Casualty & Surety Company	\$100,000
Walter Bell	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Cathy Brittenum	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Gary Byrd	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Nicholas Clark	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
David Cook	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Michael Garner	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Shane Goode	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Justin Gray	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Jason Gurley	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Tamara Hill-Jefferies	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
David Scott Johnson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Mark Kaply	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000

MARSHALL COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Erick Knox	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Grafton Lowery	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Kelly McMillen	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Brian Martin	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Jason Mills	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Charles Muller	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Michael Murphy	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Michael Owens	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
David Pannell	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Perry Pipkin	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Cody Teel	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Eddie Thompson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Tammy Thompson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Matthew Wilson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
William Wilson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
James Wright	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Jimmy Warren	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety Company	\$50,000
Flora Mae Garrison	Justice Court Judge	Travelers Casualty & Surety Company	\$50,000
Earnest Cunningham	Justice Court Judge	Travelers Casualty & Surety Company	\$50,000
Monet Autry	Justice Court Clerk	Travelers Casualty & Surety Company	\$50,000
Johnny Bagley	Deputy Justice Court Clerk	Travelers Casualty & Surety Company	\$50,000
Flora Mae Garrison	Deputy Justice Court Clerk	Travelers Casualty & Surety Company	\$50,000
Kali Rowland	Deputy Justice Court Clerk	Travelers Casualty & Surety Company	\$50,000
Katrina Washington	Deputy Justice Court Clerk	Travelers Casualty & Surety Company	\$50,000
Jason Mills	Deputy Justice Court Clerk	Travelers Casualty & Surety Company	\$50,000
LaDaryl Odum	Deputy Justice Court Clerk	Travelers Casualty & Surety Company	\$50,000
Mike Owens	Deputy Justice Court Clerk	Travelers Casualty & Surety Company	\$50,000
Rick Preciado	Deputy Justice Court Clerk	Travelers Casualty & Surety Company	\$50,000
Eddie Thompson	Deputy Justice Court Clerk	Travelers Casualty & Surety Company	\$50,000
James Wright	Deputy Justice Court Clerk	Travelers Casualty & Surety Company	\$50,000
Betty Byrd	Tax Collector	Travelers Casualty & Surety Company	\$100,000
Jaunita Dillard	Tax Assessor	Travelers Casualty & Surety Company	\$100,000

MARSHALL COUNTY

SPECIAL REPORTS

MARSHALL COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Marshall County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 25, 2014. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marshall County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 12-1, 12-5 and 12-6 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 12-2, 12-3 and 12-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Marshall County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated March 25, 2014, included within this document.

Marshall County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Marshall County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 25, 2014



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Marshall County, Mississippi

We have examined Marshall County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972), and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972), during the year ended September 30, 2012. The Board of Supervisors of Marshall County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

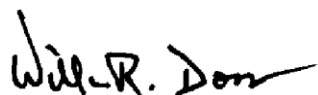
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Marshall County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Marshall County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Marshall County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 25, 2014

MARSHALL COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2012

Our test results did not identify any purchases from other than the lowest bidder.

MARSHALL COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

Our test results did not identify any emergency purchases.

MARSHALL COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
11/28/2011	Live Link (Security)	\$ 9,995	Law Enforcement Associates, Inc.

MARSHALL COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Marshall County, Mississippi

In planning and performing our audit of the financial statements of Marshall County, Mississippi (the County) for the year ended September 30, 2012, we considered Marshall County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Marshall County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 25, 2014, on the financial statements of Marshall County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Approval of interfund transfers and loans should be documented in the board minutes.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors. As reported in the prior three years' audit reports, interfund transfers and loans were made without board orders spread upon the minutes. Failure to have proper authority for transfers or loans spread upon the board minutes could result in illegal transfers or loans.

Recommendation

The Board of Supervisors should spread on its minutes' orders relative to transfers or loans.

Board of Supervisors' Response

The Board of Supervisors will spread on its minutes orders relative to transfers or loans.

2. Warrants were issued without sufficient money to pay the warrants

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on funds which did not have sufficient money to pay the warrants. As reported in the prior three years' audit reports, at various times during the year, the following funds had negative cash balances:

- (a) General Fund
- (b) 24/7 Project Safe Neighborhood Fund
- (c) Local Homeland Security Fund
- (d) Emergency 911 Fund
- (e) Law Library Fund
- (f) Solid Waste Authority Fund

Failure to have sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

The Board of Supervisors will ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

3. Tax millage for support and enlargement of Northwest Community College was decreased from the prior year.

Finding

Section 37-29-141(1), Miss. Code Ann. (1972) states that no county shall levy a smaller tax millage for capital improvements and general support of a junior college district than was levied for the previous year, unless requested to make such reduction by the board of trustees of the district. During our audit, we noted that the tax millage for support and enlargement of Northwest Community College decreased from 3.24 mills in the prior year to 2.92 mills in 2012. In addition, the amount settled for support and enlargement of Northwest Community College decreased from \$647,144 to \$576,500 in the current year. This decrease in the tax millage resulted in the community college receiving less support from the county during the current year as compared to the previous year.

Recommendation

The Board of Supervisors should increase the tax millage to at least the amount levied in the prior year for the next tax year.

Board of Supervisors' Response

The county has increased the tax millage for the next tax year.

4. Actual expenditures should not exceed final budget amounts

Finding

Section 19-11-17, Miss. Code Ann. (1972), prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisors. Actual expenditures exceeded budget amounts by \$4,715 in the General Fund. Failure to limit actual expenditures to budgeted amounts could result in the county having insufficient funds to pay expenditures.

Recommendation

The Board of Supervisors should not make expenditures in excess of budgeted amounts.

Board of Supervisors' Response

The Board of Supervisors will not make expenditures in excess of budgeted amounts.

Board of Supervisors and Sheriff.

5. Payments for compensatory leave for the Sheriff's department employees were approved in violation of the personnel policy.

Finding

The Sheriff's personnel policy states that compensatory leave is to be paid to employees upon termination of employment. Furthermore, all compensatory time used during employment is to be used as paid time off. Audit procedures revealed that the personnel policy was not followed as \$212,648 was paid to current employees for compensatory time during the 2012 fiscal year. Failure to follow the personnel policy caused a loss of public funds.

Recommendation

The procedures for compensatory leave outlined in the Sheriff's personnel policy should be followed for payment of compensatory time.

Board of Supervisors' Response and Sheriff's Response

The procedures for comp time outlined in the Sheriff personnel policy will be used for payment of comp time.

Chancery Clerk.

6. The Chancery Clerk deducted unallowable expenses on the annual financial report.

Finding

Section 9-1-43(1) Miss. Code Ann. 1972, limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible. Test work revealed that two deductions taken in the amount of \$1,243 did not meet the definition of a valid business expense. Failure to deduct only valid business expenses could result in the loss of public funds.

Recommendation

The Chancery Clerk should ensure that expenses deducted are valid business expenses. The Chancery Clerk should pay \$1,243 to the General Fund for these disallowed business expenses.

Chancery Clerk's Response

This amount represents two items. One was sold to us as an approved expense that was being purchased by many clerks, with the ad reading, "Chancery Clerk Marshall County" C.W. Chuck Thomas and Staff.

The second, a county map in which information was left off by the printer and proof in the form of documentation was provided to auditors. We will in the future take steps to assure that ads are properly completed.

Auditor's Note

The Chancery Clerk paid \$1,243 to the General Fund on July 10 and 15, 2013, as evidenced by receipt numbers 19932 and 19937.

Circuit Clerk.

7. Circuit Clerk did not settle fees in excess of salary cap by April 15th deadline

Finding

Section 9-1-43(1) Miss. Code Ann. (1972), states that all fees that are received by the office of the Circuit Clerk, that are in excess of the salary limitation shall be deposited by such clerk into the General Fund on or before April 15th for the preceding calendar year. As reported in the prior two years' audit reports, the Circuit Clerk did not settle the money received in excess of the cap by April 15th. Audit procedures revealed that the Circuit Clerk settled the money received in excess of the cap on May 16, 2013. Failure to settle excess cap monies owed to the General Fund by April 15th results in an unauthorized loan of county funds.

Recommendation

The Circuit Clerk should settle all amounts over the salary cap to the General Fund by April 15th each year as required by statute.

Circuit Clerk's Response

This shall be done.

Tax Assessor.

8. Deputy Tax Assessors were not bonded for fiscal year 2012

Finding

Section 27-1-3, Miss. Code Ann. (1972) requires that Deputy Tax Assessors be bonded for \$10,000. The Deputy Tax Assessors were not bonded for fiscal year 2012. Failure to comply with the statute could result in a loss of public funds.

Recommendation

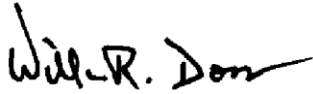
The Tax Assessor should ensure that the Deputy Tax Assessors are bonded in the amount of \$10,000 as required by law.

Tax Assessor's Response

The Tax Assessor will ensure that the Deputy Tax Assessors' bonds in the amount of \$10,000 are executed, as required by law.

Marshall County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 25, 2014

MARSHALL COUNTY

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MARSHALL COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MARSHALL COUNTY

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MARSHALL COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Aggregate discretely presented component units	Adverse
General Fund	Unqualified
Road Maintenance Fund	Unqualified
Marshall County Engineering Fund	Unqualified
Aggregate remaining fund information	Unqualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

12-1. Component units should be included in the financial statements

Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior four years' audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

The Board of Supervisors will provide any audited financial data for its discretely presented component units for inclusion in the county's financial statements.

MARSHALL COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Significant Deficiency

12-2. Internal controls over financial statement preparation should be strengthened

Finding

An effective system of internal control over financial statement presentation and reporting in accordance with generally accepted accounting principles should include all required disclosures in the notes to the financial statements. The following deficiency was noted in the financial statement preparation and reporting:

As reported in the prior three years' audit reports, disclosures required by generally accepted accounting principles for commitments for tax increment financing were not presented in the notes to the financial statements. Generally accepted accounting principles require the notes to the financial statements to include a brief description of the tax increment financing and the county's share of the commitment. Failure to present all note disclosures required by generally accepted accounting principles resulted in incomplete notes to the financial statements. A note disclosure containing the required information was proposed to management and included in the notes to the financial statements with management's approval.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes presentation of all required note disclosures.

Board of Supervisors' Response

The Board of Supervisors will implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes preparation of all required note disclosures.

County Administrator.

Significant Deficiency

12-3. Original copies of cash receipts for garbage collections that were voided are not kept on a consistent basis.

Finding

Effective internal controls would dictate that cash receipts that are voided should be kept (the original, along with all copies) and filed in a structured manner with an explanation of the reason for the void. We noted that there were numerous voided receipts for cash collections in the receipt book for garbage collections which did not include the original receipt. Failure to properly document voided cash receipts could prevent the accounting for cash money and result in a loss of public funds.

Recommendation

When cash receipts are voided, all copies of the receipt should be kept and an explanation for the reason for the voided receipt should be noted.

County Administrator's Response

The County Administrator or his assistant will monitor all cash receipts, voided and other, on a daily basis. We will keep voided cash receipts (the original along with all copies and a note explaining the reason for the void) and file them in a structured manner. The Administrator will further reiterate the importance of this matter to the garbage collection clerk.

MARSHALL COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Circuit Clerk.

Significant Deficiency

12-4. Circuit Clerk's office internal controls should be strengthened.

Finding

An effective system of internal control in the Circuit Clerk's office should include making monthly settlements of criminal and civil receipts and reconciling the fee account to the fee journal balance monthly. Our test work revealed the following deficiencies:

- a. The Circuit Clerk made only 2 settlements of criminal and civil clerk fees to the fee account for the 2012 year.
- b. The Circuit Clerk did not make monthly settlements to the county. October and November 2011 collections were not settled until December, and December 2011 and January 2012 collections were not settled until February.
- c. The Circuit Clerk reconciled fee account balance did not match the fee journal balance at December 31.

Failure to make monthly settlements and reconcile the fee account to the fee journal balance monthly could result in the loss of public funds.

Recommendation

The Circuit Clerk should make monthly settlements from the criminal and civil accounts to the county and to the fee account and should also reconcile the fee account to the fee journal balance monthly.

Circuit Clerk's Response

This shall be done.

Justice Court Clerk.

Material Weakness

12-5. Separation of duties in the Justice Court Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior three years' audit reports, cash collection and disbursement functions in the Justice Court office were not adequately separated for effective internal controls. The Justice Court Clerk has access to collections, prepares and makes bank deposits, prepares daily check-up sheets, reconciles the bank statements, posts the cash journal, makes monthly settlements and writes checks for all disbursements. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Board of Supervisors should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Justice Court office or that there is external oversight over the operations of the Justice Court office.

MARSHALL COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Justice Clerk's Response

The Board of Supervisors have assigned duties to the Justice Court Clerk. I am turning the findings of this audit report over the Marshall County Board of Supervisors for review.

Material Weakness

12-6. Controls over Justice Court fines receivable should be strengthened.

Finding

An effective system of internal controls over the Justice Court aging of accounts receivable report involves reporting only fines in the report at fiscal year-end. As reported in the prior year's audit report, the Justice Court Clerk's aging of accounts receivable report for the fiscal year-end includes more than just fines due to the county. This report also includes fines due to the state and also criminal bond fees due to the state. Failure to include only fines due the county on the Justice Court aging of accounts receivable report could result in erroneous amounts being reported in the financial statements.

Recommendation

The Justice Court Clerk should ensure the aging of accounts receivable report printed on the last day of the fiscal year includes only fines due to the county.

Justice Clerk's Response

The Justice Court Clerk has contact the Delta Computers which handles the computer files for the Marshall County Justice Court. The errors have been corrected and fines only will be reflected in the aged accounts receivable report.